



September 2025

INFORMATION TECHNOLOGY

IRS Is Developing a New Modernization Framework

A report to congressional committees.

For more information, contact: David B. Hinchman at hinchmand@gao.gov

What GAO Found

The Internal Revenue Service (IRS) reported that most of the projects associated with its 23 modernization programs were delivered on schedule for fiscal year 2024. In addition, IRS reported that it spent approximately \$1.5 billion, \$512 million less than it had originally planned for those programs. Specifically, 16 of the 23 programs had cost variances ranging from \$5 million to \$78 million in unspent funds.

Best practices identified in prior GAO work call for documenting modernization plans that include: (1) milestones for completing the modernization, (2) a description of the work to be performed, and (3) details on the disposition of legacy systems, if applicable. GAO found that IRS documented plans for the 23 IT modernization programs active as of September 2024 and that most of the plans addressed the key elements. Specifically, 20 of the 23 plans fully addressed the first two elements, and three plans partially addressed those elements (see table). In addition, 10 programs fully addressed the third element, and two did not address it.

GAO Assessment of the Internal Revenue Service's Modernization Program Plans as of September 2024

Modernization plan element	Yes	Partially	No	Not applicable
Includes milestones	20	3	0	0
Describes work to be performed	20	3	0	0
Includes disposition of legacy systems	10	3	2	8

Legend: Not Applicable = No corresponding legacy system to be retired.

Source: GAO analysis of Internal Revenue Service data. | GAO-25-107611

Federal strategic planning guidance calls for agencies to align their programs with strategic goals and objectives. Consistent with this guidance, IRS aligned its modernization programs with its IT strategic goals and objectives.

However, in March 2025 IRS told GAO that it had paused its modernization programs because it was reevaluating its priorities. The agency subsequently shared a draft modernization framework it was developing that included nine initiatives that it planned to pursue instead of the 23 programs. The nine are designed to meet specific technology demands, such as a unified application program interface. According to a June 2025 Taxpayer Advocate report to Congress, to enable this reprioritization, many projects continue to be paused or have been canceled.

As IRS fully develops its new IT modernization framework, it will continue to be important for the agency to (1) align new initiatives with documented agency strategic objectives, and (2) have program plans that address key elements. In addition, for the 23 programs that IRS was previously pursuing, it is also important that IRS consider the usability of the work performed to date.

Why GAO Did This Study

IRS relies extensively on IT to annually collect trillions of dollars in taxes, distribute hundreds of billions of dollars in refunds, and carry out its mission of providing service to America's taxpayers in meeting their tax obligations. In August 2022, Congress appropriated approximately \$4.8 billion through the Inflation Reduction Act of 2022 to IRS for business systems modernization. The appropriated amounts are to remain available through the end of fiscal year 2031. For fiscal year 2024, IRS spent about \$5 billion on IT, including \$1.5 billion on modernization programs reported to Congress.

Applicable Appropriations Committee reports include a provision for GAO to review IRS's IT programs. GAO's report (1) summarizes IRS's fiscal year 2024 cost and schedule performance for its modernization programs, and (2) determines whether IRS had developed modernization program plans consistent with best practices and aligned with its strategic vision.

GAO summarized IRS's reported planned versus actual cost and schedule for its modernization programs delivered in fiscal year 2024, as reported in quarterly status reports to Congress. In addition, GAO analyzed fiscal year 2024 modernization program plans to determine the extent to which they met best practices. GAO also interviewed relevant IRS officials.

What GAO Recommends

GAO has previously made 33 recommendations to IRS to address legacy system risks and to improve modernization plans. IRS has not yet implemented 10 of those recommendations. In written comments on a draft of the report, IRS agreed with GAO's findings.

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Abbreviations

BMF	Business Master File
CADE 2	Customer Account Data Engine 2
COBOL	Common Business Oriented Language
ECM	Enterprise Case Management
IMF	Individual Master File
IRA	Inflation Reduction Act of 2022
IRS	Internal Revenue Service
OMB	Office of Management and Budget
SOP	Strategic Operating Plan

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September 16, 2025

The Honorable Bill Hagerty
Chair
The Honorable Jack Reed
Ranking Member
Subcommittee on Financial Services and General Government
Committee on Appropriations
United States Senate

The Honorable Dave Joyce
Chairman
The Honorable Steny Hoyer
Ranking Member
Subcommittee on Financial Services and General Government
Committee on Appropriations
House of Representatives

Information technology is critical to the Internal Revenue Service's (IRS) mission to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness. In August 2022, Congress appropriated billions of dollars to IRS through the Inflation Reduction Act of 2022 (IRA), including approximately \$4.8 billion to be used for business systems modernization.¹ The appropriated amounts are to remain available through the end of fiscal year 2031. IRS stated that it planned to use the funding to transform the way the agency carries out its mission and in April 2023 issued a strategic plan to guide its transformation efforts.² IRS began carrying out programs to implement the IT vision outlined in this strategic plan. However, as discussed later in this report, in March 2025, the agency paused its efforts in order to reevaluate its priorities.

¹Inflation Reduction Act of 2022 (IRA), Pub. L. No. 117-169, tit. I, § 10301, 136 Stat. 1818, 1832 (2022). Significant amounts of funding to IRS originally appropriated under the IRA has since been rescinded. However, the rescinded amounts did not apply to IT modernization.

²Internal Revenue Service, *Inflation Reduction Act Strategic Operating Plan, FY2023 – 2031*, (Washington, D.C.: Apr. 5, 2023).

Applicable Appropriations Committee reports include a provision for GAO to review the performance of IRS's major IT projects.³ This includes assessing the cost and schedule of these projects, with particular focus on the programs identified in the IRS quarterly reports to Congress. This report is the latest in a series of annual reviews we have been performing of IRS's IT modernization efforts.⁴

Our objectives for this review were to (1) summarize IRS's reported cost and schedule performance progress for its modernization programs for fiscal year 2024; and (2) determine whether IRS's modernization program plans are consistent with best practices and aligned with its strategic vision.

For our first objective, we summarized IRS's reported planned versus actual cost and schedule for its modernization program projects delivered in fiscal year 2024, as reported in quarterly IT status reports to Congress. We also reviewed and verified the performance data in the quarterly reports by comparing draft quarterly reports to final reports. If any discrepancies or anomalies were detected in the performance data, we followed up with IRS officials.

For the second objective, we analyzed fiscal year 2024 modernization program plans against best practices identified in prior GAO work.⁵ Additionally, we assessed modernization program documentation to identify linkages to IRS's IRA Strategic Operating Plan (SOP) and supporting documents. In particular, we sought to determine the extent to

³S. Rep. No. 118-61, at 28 (2024) (accompanying Financial Services and General Government Appropriations Bill, S. 2309, 118th Cong. (2024)). The Explanatory Statement accompanying the Further Consolidated Appropriations Act, 2024, provided that the above committee report carries the same weight as language included in the joint explanatory statement. Staff of H. Comm. on Appropriations, 118th Cong., Explanatory Statement on the Further Consolidated Appropriations Act, 2024, Pub. L. 118-47, 138 Stat. 460 (2024), 170 Cong. Rec. H1501 (Mar. 22, 2024). Section 4 of the Further Consolidated Appropriations Act, 2024 notes that this explanatory statement printed in the Congressional Record shall be treated as if it were a joint explanatory statement of a committee of conference. Pub. L. No. 118-47, § 4.

⁴Our most recent reports are GAO, *IRS Needs to Complete Planning and Improve Reporting for Its Modernization Programs*, [GAO-24-106566](#) (Washington, D.C.: Mar. 19, 2024) and GAO, *Information Technology: Cost and Schedule Performance of Selected IRS Investments*, [GAO-22-104387](#) (Washington, D.C.: Oct. 19, 2021).

⁵GAO, *Information Technology: IRS Needs to Complete Modernization Plans and Fully Address Cloud Computing Requirements*, [GAO-23-104719](#) (Washington, D.C.: Jan. 12, 2023); *Information Technology: Agencies Need to Develop Modernization Plans for Critical Legacy Systems* [GAO-19-471](#) (Washington, D.C.: June 11, 2019).

which IRS had aligned modernization programs with its strategic technology objective.

For both objectives, we also interviewed relevant officials in IRS's IT organization and Transformation Strategy Office which had responsibility for implementing the SOP.⁶ A detailed discussion of our objectives, scope, and methodology can be found in appendix I.

We conducted this performance audit from May 2024 to September 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

IRS relies extensively on IT to annually collect more than \$4.9 trillion in taxes, distribute more than \$640 billion in refunds, and carry out its mission of providing service to America's taxpayers in meeting their tax obligations. As previously mentioned, IT plays a critical role in enabling IRS to carry out its mission and responsibilities. According to IRS, the agency spent about \$2 billion on IT modernization during fiscal year 2024, all funded by the IRA, and about \$5 billion overall on IT.⁷ In addition, from fiscal year 2020 through fiscal year 2024, the agency spent \$6 billion on modernization and \$19 billion overall on IT.

As of September 2024, IRS was pursuing a number of important IT modernization programs. The programs addressed some of IRS's most critical taxpayer services and business functions and included:

- **Individual Master File (IMF) Modernization.** This program is intended to modernize and replace the IMF, IRS's authoritative data source for individual tax account data which accounts for a large portion of tax processing activities. Virtually all IRS information system applications and processes depend on output, directly or indirectly, from this data source. IRS began the modernization of IMF in 2009, and, as of September 2024, was planning to complete it in fiscal year

⁶In March 2025, IRS officials said the Transformation and Strategy Office had been disbanded.

⁷Of the \$2 billion spent on IT modernization, IRS reported that it spent \$1.5 billion on the IT modernization programs which are tracked in quarterly reports to Congress. We discuss this spending in greater detail later in this report.

2028. IRS had spent \$2 billion on the modernization of this program through September 2024.

- **Business Master File (BMF).** This program is intended to provide a modernized business taxpayer account enabling near real-time processing with a robust database for account posting, settlement, and service-driven data access. IRS began the modernization of BMF in April 2024 and, as of September 2024, was planning to complete it in fiscal year 2029. IRS had spent \$83 million modernizing BMF through September 2024.
- **Digitalization.** This program, among other things, is intended to increase the digital intake of returns, correspondence, and other forms for faster processing by accepting images of paper documents from taxpayers and digitizing paper submissions. IRS initiated the program in February 2021, and, as of September 2024, had planned to complete it by September 2027. IRS had spent \$248 million on this program through September 2024.
- **Enterprise Case Management (ECM).** This program is intended to establish a single, modernized, enterprise case management system with access to taxpayer data and standard business processes across the IRS. IRS initiated the program in October 2015 and had, as of September 2024, planned to complete it by end of fiscal year 2026. IRS had spent \$634 million on the modernization of ECM through September 2024.

IRS Modernization Plans and Reports to Congress

To support its IT modernization efforts, IRS publicly issued its agency-wide IRA SOP in April 2023.⁸ According to IRS, the plan combined and evolved several existing plans, including the April 2019 Integrated Business Modernization Plan that previously guided IRS's IT modernization work. The IRA SOP identified five objectives the agency planned to accomplish through year 2031:

- Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible.
- Quickly resolve taxpayer issues when they arise.
- Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap.

⁸Internal Revenue Service, *Inflation Reduction Act Strategic Operating Plan, FY2023 – 2031*, (Washington, D.C.: Apr. 5, 2023).

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- Deliver cutting-edge technology, data, and analytics to operate more effectively.
 - Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers.

The SOP's fourth objective focuses on IRS's improvements to its IT infrastructure, including the agency's plans to retire legacy programs and systems and to modernize IT. The plan also states that many programs supporting other objectives depend on the modernization of IRS's core IT infrastructure. In March 2024, we reported that IRS had not yet updated its modernization program plans to align with the SOP.⁹ Officials stated they were working on an enterprise roadmap that would help guide updates to the modernization program plans. We recommended that IRS complete the roadmap and ensure it addresses the strategic operating plan's technology objective.

In response, in January 2025, IRS provided its updated Enterprise Transformation Roadmap for calendar years 2023 to 2026 to guide the implementation of the strategic plan. However, while the roadmap identified outcomes, outcome groupings, and key results with milestones and timelines for measuring progress, it did not specifically address the technology strategic objective.

As noted earlier and discussed in greater detail later in this report, in March 2025, IRS paused work on its modernization programs. In June 2025, IRS officials shared a draft of a new framework, including nine initiatives it intends to pursue instead of the previously mentioned 23 programs.

IRS is statutorily mandated to report to Congress on the status of its modernization efforts through quarterly reports.¹⁰ In these quarterly reports, IRS is required to, among other things, summarize accomplishments for the previous quarter and identify plans, including associated costs and schedule, for the upcoming quarter. The agency also identifies changes to programs' cost, schedule and scope in program

⁹[GAO-24-106566](#).

¹⁰Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, div. B, tit. I, 138 Stat. 460, 527 (2024), codified at 26 U.S.C. § 7801 note. This provision is carried over to fiscal year 2025 via the Full-Year Continuing Appropriations and Extensions Act, 2025, Pub. L. No. 119-4, div. A, tit. I, § 1101, 139 Stat. 9, 10-11 (2025).

summaries within the quarterly reports. In April 2025, IRS paused sending quarterly reports but officials reported that they are currently working to restart them.

Prior GAO Reporting on Opportunities for Improvement at IRS

Over the past several years, and in addition to the report previously cited, we have reported on the performance of IRS's IT investments and identified numerous opportunities for improvement. For example:

- In June 2018, we reviewed the performance of several IRS investments, including legacy systems.¹¹ We found, among other things, that these legacy systems were facing significant risks due to their reliance on legacy programming languages, outdated hardware, and a shortage of staff with critical skills. In addition, IRS had not fully implemented key risk management practices to effectively mitigate those risks.

As a result of these and other findings in our report, we made 21 recommendations to IRS. As of February 2024, IRS had implemented all the recommendations.

- In October 2021, we reported on IRS's use of outdated assembly language code and Common Business Oriented Language (COBOL) for its IMF, and on the status of the agency's efforts to replace the program.¹² We noted that IRS had a plan for replacing and retiring IMF, with a 2030 milestone for full replacement. The milestone, however, meant that for many years IRS would still have to contend with the numerous challenges associated with the system's age and reliance on an old programming language warranting consistent high-level management attention.

In addition, we found that while Customer Account Data Engine 2 (CADE 2) had lower than expected costs for 2020 and was within schedule parameters for 2019 and 2020, IRS had changed its plans for the investment several times. This led to a key schedule milestone for replacing selected IMF functions, known as transition state 2, being delayed 9 years—from 2014 to 2023.¹³

¹¹GAO, *Information Technology, IRS Needs to Take Additional Actions to Address Significant Risks to Tax Processing*, [GAO-18-298](#) (Washington, D.C.: June 28, 2018).

¹²[GAO-22-104387](#).

¹³Since we issued our report, IRS separated the transition state 2 effort to modernize selected IMF functions into separate projects including the CADE 2 Individual Tax Processing Engine and the CADE 2 Tax Account Management Individual projects.

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- In January 2023, we reported on IRS's legacy environment, modernization plans, and cloud computing efforts.¹⁴ We noted that IRS had documented plans for 21 modernization programs that were underway, including nine associated with legacy systems. All 21 plans addressed two of the three key elements that modernization plans should have according to best practices. However, the plans for six of the nine programs did not include plans for retiring the legacy systems. Further, we reported that IRS had suspended operations of six modernization programs, including two which are essential to replacing the 60-year-old Individual Master File, and the completion dates for these programs was unknown.

As a result of these and other findings in our report, we made nine recommendations to IRS. IRS agreed with the recommendations and described efforts underway and plans to address them. As of March 2025, IRS had addressed two of the recommendations and was working to address the remaining seven.

- In March 2024, we reported that the agency had not included historical program information and how quarterly performance compares to overall program goals in its quarterly reports to Congress.¹⁵ As a result of this and other findings in our report, we made three recommendations to IRS. IRS agreed with the recommendations and described efforts underway and plans to address them. As of June 2025, IRS was working to address the three recommendations.

Modernization Programs Were Mostly on Schedule and Below Planned Spending for Fiscal Year 2024

As required by statute, IRS reported quarterly schedule and cost performance modernization program information for fiscal year 2024. In these reports, IRS considers capabilities delivered within 15 days of the planned completion date to be on time. In addition, IRS and the Office of

¹⁴[GAO-23-104719](#).

¹⁵[GAO-24-106566](#).

Management and Budget (OMB) consider variances within 10 percent of planned cost not to be significant.¹⁶

Schedule. IRS reported on 28 programs associated with 190 projects throughout fiscal year 2024 but made several changes to its modernization portfolio during this time, by adding, removing and consolidating programs. Specifically, the agency had 21 programs at the beginning of the fiscal year. Subsequently, IRS

- added six new programs. In quarter 2 it added the Unified Intake Tax Processing program, and the Automated Background Investigations Systems Modernization program. In quarter 3 it added the Customer Relationship Management, Virtual Desktop Infrastructure, Robotics Process Automation, and IT Operations Transformation programs.
- removed the Legacy System Changes for New Unified Compliance Organization program in quarter 2.¹⁷
- consolidated four programs intended to modernize the IMF into one program named the IMF Modernization. The four prior programs—CADE 2 Individual Tax Processing Engine, CADE 2 Tax Account Management Individual, Self-Service Reporting and Analytics-Individual, and Tax Account Management Services—will be tracked as separate projects under IMF Modernization.

At the end of fiscal year 2024, IRS had 23 active programs.

To support its modernization programs, IRS reported that it delivered 190 projects during fiscal year 2024. Of those projects, 181 were delivered on time and nine were delivered significantly late, meaning that they were more than 15 days behind schedule. The nine projects are associated with seven programs and ranged from 18 to 92 days late.¹⁸ IRS provided

¹⁶According to best practices, variances are expected because programs rarely perform exactly to plan. Variances can be neither good nor bad but simply provide a measure of how much actual performance has varied from the plan. GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs*, [GAO-20-195G](#) (Washington, D.C.: Mar. 12, 2020).

¹⁷While IRS removed this program, it reported that it would pursue some of the work on a smaller scale.

¹⁸The seven programs associated with late projects are Business Tax Account, Enterprise Service Management, Information Returns Modernization, Live Assistance, Security Operations and Management, and Tax Account Management Services.

several reasons for the schedule delays, including contract delays, service outages, and technical issues.

Cost. For the 23 IT modernization programs active at the end of fiscal year 2024, IRS reported that it spent approximately \$1.5 billion, \$512 million less than originally planned. While, as previously noted, variances are to be expected, significant variances warrant attention as they may indicate underlying issues, including issues with how well programs were planned and how well they are being executed.

IRS reported that of its 23 modernization programs, seven were on budget, meaning they were within a 10 percent cost variance of planned cost goals. However, 16 modernization programs had significant variances ranging from 12 to 60 percent below budget.¹⁹ The largest variance was for Business Tax Account with an underspend of \$78 million beneath its \$129.4 million fiscal year budget, or 60 percent less.

IRS reported that overall causes for the significant cost variances for the 16 modernization programs included delays in contract awards, contract changes, and labor changes. Table 1 identifies the amounts and causes for the underspend for the programs.

Table 1: Internal Revenue Service Significant Underspend Variance for Its Modernization Programs in Fiscal Year (FY) 2024

(Dollars in millions)					
Modernization program	Total planned in FY24	Total spent in FY24	Percentage of underspend	Planned unspent funds	IRS reported cause for underspend
Network Modernization	\$41.93	\$36.71	12%	\$5.22	Contract delays
Online Tools & Self-Service	\$30.60	\$26.05	15%	\$4.55	Access issues
Individual Master File Modernization	\$338.31	\$266.84	21%	\$71.47	Contract changes, spending pushed to next fiscal year, and unused labor
Individual Online Account	\$134.65	\$104.50	22%	\$30.15	Contract delays, vendor proposal less than estimate, cost of work was lower than expected, and requirement changes (cybersecurity)
Business Master File Modernization	\$97.88	\$76.88	21%	\$21.00	Contract delays

¹⁹IRS and OMB consider variances within 10 percent of planned cost not to be significant.

(Dollars in millions)					
Modernization program	Total planned in FY24	Total spent in FY24	Percentage of underspend	Planned unspent funds	IRS reported cause for underspend
Vulnerability & Threat Management	\$89.24	\$68.75	23%	\$20.49	Contract extension; unfilled labor, and requirement changes pushed spending to next fiscal year
Identity & Access Management	\$150.55	\$114.53	24%	\$36.02	Unfilled labor, contract delays, contract extension, and contract less than expected
Digitalization	\$224.34	\$165.90	26%	\$58.44	Lower than expected program costs, shorter work time frames, and pushed spending to next fiscal year
IT Operations Transformation	\$73.89	\$53.09	28%	\$20.80	Labor costs lower than expected
Information Returns Modernization	\$113.20	\$80.48	29%	\$32.72	Contract changes, requirement changes, spending pushed to next fiscal year, and labor costs lower than expected
Enterprise Data Platform	\$110.28	\$72.15	35%	\$38.13	Contract delays and funding moved due to contract ceiling limits
Enterprise Service Management	\$39.99	\$24.39	39%	\$15.60	Contract delays
Security Operations Management	\$31.27	\$18.76	40%	\$12.51	Unfilled labor, contract delays, contract extension, and less hardware required due to more efficient technology
Virtual Desktop Infrastructure	\$9.70	\$4.76	51%	\$4.94	Shorter lease of licensing renewals and unfilled labor
Tax Pro Online Account	\$104.47	\$42.42	59%	\$62.05	Contract delays
Business Tax Account	\$129.41	\$51.19	60%	\$78.22	Contract delays
Total	\$1,719.71	\$1,207.40	N/A	\$512.31	N/A

Legend: N/A = Not Applicable

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-25-107611

IRS reported that several factors, including delays in contract awards in fiscal year 2024, moved significant amounts of spending to fiscal year

2025. According to IRS's reports, the delays and other reasons for the underspend did not adversely affect the overall schedule or scope of the work planned for the programs.

From fiscal year 2022 through fiscal year 2024, IRS reported spending \$2 billion of the \$4.8 billion in IRA funding appropriated for the agency's business systems modernization. In April 2024, IRS reported that the IRA funding for business systems modernization was expected to run out in fiscal year 2026.²⁰ However, as discussed later in this report, in March 2025, IRS paused its modernization efforts in order to reevaluate its priorities. This could potentially impact the spend rate of the funds available in IRS's remaining IRA appropriation.

Most Modernization Plans Addressed Best Practices and Aligned with Strategic Vision; IRS Is Developing a New Approach

At the end of fiscal year 2024, IRS had documented modernization plans for its 23 modernization programs. Most of the modernization plans fully addressed the three elements that, according to best practices, are critical to ensure program success. In addition, the 23 programs were aligned with IRS's strategic vision. However, in March 2025, IRS told us the programs had been paused because the agency was reevaluating its priorities.

Most IRS Program Plans Addressed All Best Practices

Our prior work has emphasized the need for agencies to develop modernization plans to ensure the success of modernization efforts.²¹ According to government and industry best practices, these plans should, at a minimum,²² include three key elements: (1) milestones for completing the modernization, (2) a description of the work necessary to complete

²⁰Internal Revenue Service, *Inflation Reduction Act Strategic Operating Plan Annual Update Supplement* (April 2024).

²¹See [GAO-24-106566](#), [GAO-23-104719](#), and [GAO-19-471](#).

²²General Services Administration, *Unified Shared Services Management, Modernization and Migration Management (M3) Playbook* (Washington, D.C.: Aug. 3, 2016); M3 Playbook Guidance (Washington, D.C.: Aug. 3, 2016); American Technology Council, Report to the President on Federal IT Modernization (Washington, D.C.: Dec. 13, 2017); Office of Management and Budget, *Management of Federal High Value Assets*, M-17-09 (Washington, D.C.: Dec. 9, 2016); American Council for Technology-Industry Advisory Council, *Legacy System Modernization: Addressing Challenges on the Path to Success* (Fairfax, VA: Oct. 7, 2016); Dr. Gregory S. Dawson, Arizona State University, IBM Center for The Business of Government, *A Roadmap for IT Modernization in Government* (Washington, D.C.: 2018).

the modernization, and (3) details regarding the disposition of the legacy system, if applicable.

As noted earlier, IRS had 23 IT modernization programs in its portfolio as of September 2024. The agency documented modernization plans for each of the 23 programs that mostly addressed the best practices. See table 2 for a summary of GAO’s assessment of how IRS’s modernization plans address the three elements. See appendix II for a detailed assessment of each plan.

Table 2: Summary of GAO’s Assessment of IRS’s 23 Modernization Plans Against Best Practice Elements as of September 2024

Modernization plan element	Yes	Partially	No	Not applicable
Includes milestones	20	3	0	0
Describes work to be performed	20	3	0	0
Includes disposition of legacy systems	10	3	2	8

Legend: Not Applicable = No corresponding legacy system to be retired.

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-25-107611

Of the 23 plans, 20 fully addressed the first two elements, including milestones and describing the work to be performed to complete the modernization, and three did not. These three plans partially addressed the first two elements. Specifically, the plans did not fully identify the milestones or description of work necessary to complete the modernization of the system addressed by each plan. In addition, 10 plans fully addressed the third element by addressing the disposition of legacy systems, three partially addressed, and two did not address it. This element was not applicable for eight plans.

Fiscal Year 2024
Modernization Programs
Were Aligned with
Strategic Goals

Federal strategic planning guidance calls for agencies to align their programs with strategic goals and objectives as part of a broader strategic and performance planning framework to achieve progress against the strategic plan, strategic objectives, and agencies’ priority goals and initiatives.²³

²³Office of Management and Budget, Circular No. A-11: *Preparation, Submission, and Execution of the Budget, Section 230—Agency Strategic Planning* (Washington, D.C.: July 25, 2024).

As previously noted, to implement the vision defined in the SOP, IRS developed an Enterprise Transformation Roadmap that identified near-term priorities for calendar years 2023 through 2026. In supporting documentation and its project management tracking tool, IRS also linked its modernization programs and projects to strategic objectives, goals, and initiatives, as well as to outcomes and key results defined in the roadmap, increasing the likelihood that strategic objectives and goals would be achieved.

IRS Paused Its Programs and Is Developing a New Approach

In March 2025, IRS IT officials reported that the modernization programs had been paused. They later noted that the agency was reevaluating its investments and priorities. In June 2025, they shared an early draft framework outlining nine initiatives designed to meet specific technology demands, such as developing a unified application program interface, reducing reliance on paper records, and improving taxpayer service. The officials stated that the agency intends to pursue these initiatives in lieu of the 23 programs it was working on as of September 2024. According to a June 2025 Taxpayer Advocate report to Congress,²⁴ to enable this reprioritization, many projects continue to be paused or have been canceled. IRS did not provide the broader strategic vision for the framework, nor implementation details, but said it would continue to evolve the framework through stakeholder engagement and cross-functional coordination. In July 2025, the agency told us that the Department of the Treasury and the IRS are developing new strategic plans for fiscal years 2026 to 2030, which will replace the IRA SOP and will align agency efforts with the current administration's priorities. They stated that Treasury's Strategic Plan will be published by February 2026, and IRS's will be published by the summer of 2026.

As IRS fully develops its new IT modernization framework, it will continue to be important for the agency to (1) align new initiatives with documented agency strategic objectives, and (2) have program plans that address key elements. In addition, for the 23 programs that IRS was previously pursuing, it is also important that IRS consider the usability of the work performed to date.

Agency Comments and Our Evaluation

We provided a draft of this report to IRS for comment. IRS provided written comments, which are reproduced in appendix III, and technical comments, which we incorporated as appropriate. IRS agreed with our

²⁴National Taxpayer Advocate, *Objectives Report to Congress Fiscal Year 2026*, IRS Publication 4054 (Rev. 6-2025).

findings and noted actions it is taking and plans to take to address these findings. Among other things, the agency acknowledged the need to fully address all three key elements of modernization plans as outlined by best practices when finalizing plans for its modernization programs. IRS also agreed that the work completed to date under the 23 programs included in our review should be fully leveraged in its new modernization framework.

Relatedly, the agency stated that it was actively reviewing the usability and value of the work performed to date, ensuring that it contributes to future efforts and provides a solid foundation for continued progress. In its comments, IRS also noted that it had implemented 14 out of 18 past recommendations. However, as noted in our report, as of June 2025, the agency had implemented 23 out of 33 recommendations we made in the four IRS IT modernization reports we issued since 2018.²⁵ We continue to believe the 10 recommendations are warranted.

We are sending copies of this report to the appropriate congressional committees, the Acting Commissioner of IRS, and other interested parties. In addition, this report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at hinchmand@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

//SIGNED//

David B. Hinchman
Director, Information Technology and Cybersecurity

²⁵GAO-18-298, GAO-22-104387, GAO-23-104719, and GAO-24-106566.

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) summarize the Internal Revenue Service's (IRS) reported cost and schedule performance progress for its modernization programs for fiscal year 2024; and (2) determine whether IRS's modernization program plans are consistent with best practices and aligned with its strategic vision.

For our first objective, we summarized quarterly IT reports to Congress showing planned versus actual cost and schedule for the agency's modernization programs for fiscal year 2024. We also interviewed IRS IT program officials to understand causes for variances between planned and actual performance.

To assess the reliability of the performance data for the modernization programs, we confirmed our understanding of the processes used to generate the data by interviewing portfolio management officials to go over the process for developing the quarterly reports. We also reviewed and verified the data by comparing draft quarterly reports to finalized quarterly reports to ensure all project data was accounted for. Further, we followed up with officials to discuss any detected anomalies we found in the performance data. We determined the data to be sufficiently reliable for our purposes.

For the second objective, we reviewed our prior work summarizing industry and government best practices for developing modernization plans. We requested the agency's modernization plans for the 23 programs that were active at the end of fiscal year 2024. We analyzed the 23 plans to determine to what extent they met the three elements of modernization plans identified in [GAO-19-471](#) that, according to best practices, are needed to ensure program success.¹

In addition, we reviewed IRS's April 2023 Inflation Reduction Act Strategic (IRA) Operating Plan (SOP)² and related documentation to determine to what extent IRS had aligned its technology objective with its modernization programs. Specifically, we analyzed among other things, IRS's Enterprise Roadmap for calendar years 2024 to 2026, SOP annual update and supplement, and modernization program data from the

¹GAO, *Information Technology: IRS Needs to Complete Modernization Plans and Fully Address Cloud Computing Requirements*, [GAO-23-104719](#) (Washington, D.C.: Jan. 12, 2023); and GAO, *Information Technology: Agencies Need to Develop Modernization Plans for Critical Legacy Systems*, [GAO-19-471](#) (Washington, D.C.: June 11, 2019).

²Internal Revenue Service, *Inflation Reduction Act Strategic Operating Plan, FY2023 – 2031*, (Washington, D.C.: Apr. 5, 2023).

Strategic Implementation Management System (SIMS) tool IRS was using to track implementation of the SOP and progress of the modernization programs. We determined whether these documents aligned the modernization programs to the technology objective by reviewing SIMS data to identify if the SOP objectives were linked to the modernization programs. We also compared the SOP objectives to the data in the roadmap. In addition, we reviewed early preliminary drafts of IRS's proposed organizational changes and new IT modernization framework.

Near the conclusion of our review, IRS officials informed us that the agency was pausing its modernization programs so that it could reassess its priorities. We then interviewed officials and reviewed selected documents on the pause and reprioritization.

We conducted this performance audit from May 2024 to September 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: GAO Assessment of IRS’s IT Modernization Program Plans

Table 3 identifies the Internal Revenue Service’s (IRS) 23 modernization program plans for fiscal year 2024 and the extent to which the plans addressed the three key elements of successful modernization plans.

Table 3: Extent to Which Internal Revenue Service’s IT Modernization Plans Included Key Elements of Modernization Plans

Program name	Includes milestones to complete the modernization	Describes work necessary to modernize system	Summarizes planned disposition of legacy system
Authentication, Authorization & Access	Yes	Yes	No
Automated Background Investigations System	Yes	Yes	Yes
Business Master File Modernization	Yes	Yes	Partially
Business Tax Account	Partially	Partially	Not applicable
Custom Relationship Management	Yes	Yes	Not applicable
Digitalization	Yes	Yes	Yes
Enterprise Case Management	Yes	Yes	Yes
Enterprise Service Management	Yes	Yes	Yes
Enterprise Data Platform	Yes	Yes	Yes
Identity and Access Management	Yes	Yes	Not applicable
Information Returns Modernization	Yes	Yes	Yes
Individual Master File Modernization	Yes	Yes	Yes
Individual Online Account	Yes	Yes	Partially
IT Operations	Partially	Partially	Not applicable ^a
Live Assistance	Yes	Yes	No
Network Modernization	Yes	Yes	Not applicable
Online Tools and Self Service	Yes	Yes	Partially
Robotics Process Automation	Yes	Yes	Not applicable
Security Operations and Management	Yes	Yes	Not applicable
Tax Pro Account	Partially	Partially	Not applicable
Unified Intake Processing	Yes	Yes	Yes
Virtual Desktop Interface	Yes	Yes	Yes
Vulnerability and Threat Management	Yes	Yes	Yes

Legend: Yes = IRS provided evidence that its program modernization plan completely addressed the element.
 Partially = IRS provided evidence that its program modernization plan partially addressed the element.
 No = IRS did not provide any evidence that it addressed the element.
 Not Applicable = The modernization initiative does not have a legacy system with which it is associated.

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-25-107611

^aIRS already decommissioned the legacy systems associated with this program.

Appendix III: Comments from the Department of the Treasury Internal Revenue Service



CHIEF OPERATING OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

September 02, 2025

Mr. David B. Hinchman
Director, Information Technology and Cybersecurity
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Hinchman:

The IRS appreciates the Government Accountability Office's (GAO) ongoing review of our Information Technology (IT) modernization efforts, which has highlighted both our progress and areas for continued improvement. The IRS remains fully committed to delivering improved service to taxpayers and enhanced operational efficiency to align with our mission and the expectations set by Congress.

We are pleased to report that for fiscal year 2024, the IRS successfully delivered most of the projects associated with our 23 modernization programs on schedule. Additionally, the IRS spent approximately \$1.5 billion on modernization programs, \$512 million less than originally planned. This underspend is due to several factors, including contract delays and labor changes, and did not negatively affect the overall scope or delivery timelines of the programs. We continue to refine our planning processes to ensure that future cost variances are minimized, and our resources are utilized effectively.

We recognize that the GAO has identified areas for further enhancement in our modernization plans, particularly around the documentation of legacy system disposition and some missing milestones and work descriptions. We acknowledge the need to fully address all three key elements in our program plans as outlined by best practices. Plans must have fully addressed key milestones and work descriptions, and we are committed to finalizing the plans for any program not fully meeting these standards.

In particular, we acknowledge the need for a more detailed approach to legacy system dispositions. Earlier this year, the IRS updated its approach and definition of legacy systems, shifting from age—and technology—based criteria to a focus on business outcomes and mission alignment. Under our updated definition, a system is considered "legacy" not solely based on its age but if it impedes mission delivery. Systems that no longer support mission-critical objectives or cannot effectively integrate with modern technologies are being prioritized for replacement or upgrade. This approach ensures

that our modernization efforts focus on the systems that most directly impact our ability to serve taxpayers and fulfill our responsibilities.

The IRS is actively developing a new IT modernization framework designed to prioritize initiatives that directly improve taxpayer services, strengthen operational efficiency, and modernize the agency's infrastructure. This framework consolidates efforts into key initiatives, such as enhancing Application Programming Interfaces, automating repetitive processes, and integrating modern technologies to replace legacy systems that hinder mission delivery.

Several tangible accomplishments in FY 2025 demonstrate significant modernization progress, including:

- **Individual Online Account:** Activated secure two-way messaging and expanded access to tax documents, allowing taxpayers to securely communicate with the IRS and access important tax information online.
- **Live Assistance:** Launched taxpayer-facing chat and chatbot features on IRS.gov, enhancing real-time customer support and improving taxpayer engagement.
- **Digitalization:** Enabled online submission of 21 additional non-tax forms, increasing the total number of forms that can be submitted digitally to 71, reducing reliance on paper processes.

These accomplishments clearly show that real, measurable progress is being made in our modernization efforts, with immediate benefits for taxpayers and IRS operations.

We also agree with GAO's recommendation that the work completed to date under the 23 programs should be fully leveraged in our new modernization framework. As we develop the new approach, we are actively reviewing the usability and value of the work performed so far, ensuring that it contributes to future efforts and provides a solid foundation for continued progress.

The IRS has a long-standing commitment to implementing GAO recommendations, and we appreciate the constructive feedback provided in the report. We have made substantial progress on prior recommendations, having fully implemented 14 of 18 past recommendations, with 4 still in progress.

**Appendix III: Comments from the Department
of the Treasury Internal Revenue Service**

3

We appreciate the continued engagement with GAO and value the recommendations provided. If you have any questions, please contact me at (304) 616-1818, or your staff may contact Courtney Williams, Coordinating Director, Strategy & Management, at (409) 801-0209.

Sincerely,

**Kaschit D.
Pandya**  Digitally signed by
Kaschit D. Pandya
Date: 2025.09.02
08:51:35 -04'00'

Kaschit Pandya
Chief Information Officer

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

David B. Hinchman, hinchmand@gao.gov

Staff Acknowledgments

In addition to the individual named above, the following staff made key contributions to this report: Sabine Paul (Assistant Director), Lori Martinez (Analyst in Charge), Chase Carroll, Donna Epler, and Tommy Luong.

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